JUDGE KARAS

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. EDWARD BRONSON and E-LIONHEART ASSOCIATES, LLC, d/b/a FAIRHILLS CAPITAL, Defendants and FAIRHILLS CAPITAL, INC., Relief Defendant.	12 Civ. ________ **COMPLAINT** ECF CASE

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against defendants Edward Bronson ("Bronson") and E-Lionheart Associates, LLC, d/b/a Fairhills Capital ("E-Lionheart") (collectively, "Defendants"), and relief defendant Fairhills Capital, Inc. ("FCI") ("Relief Defendant"), alleges:

SUMMARY

1. Since at least August 2009, Defendants have engaged in a scheme to purchase billions of shares of stock from small companies and illegally resell those shares to the investing public, without complying with the registration requirements of the federal securities laws. The

federal registration requirements protect investors by promoting full disclosure of information deemed necessary for informed investment decisions. Investors were deprived of such protections by Defendants' misconduct. Bronson and E-Lionheart have reaped more than $10 million in profits from these illegal sales.

VIOLATIONS

2. By virtue of the foregoing conduct and as alleged further herein, Bronson and E-Lionheart, directly or indirectly, singly or in concert, have violated, and unless restrained and enjoined will again violate, Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a) and 77e(c)].

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

3. The Commission brings this action pursuant to the authority conferred upon it by Section 20 of the Securities Act [15 U.S.C. § 77t].

4. The Commission seeks a final judgment (a) permanently restraining and enjoining Defendants from violating Sections 5(a) and 5(c) of the Securities Act; (b) ordering Defendants and Relief Defendant, on a joint and several basis, to disgorge their ill-gotten gains with prejudgment interest thereon; (c) ordering Defendants to pay civil money penalties, pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)]; and (d) permanently prohibiting Defendants from participating in any offering of penny stock, pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)].

JURISDICTION AND VENUE

5. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d) and 77v(a)]. Defendants, directly or indirectly, singly or in concert, have made use of the means or instruments of transportation or

communication in interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of businesses alleged herein.

6. Venue lies in the Southern District of New York, pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)]. Bronson resides in this District, and E-Lionheart's principal place of business is in this District.

FACTS

Defendants

7. **Bronson**, age 46, resides in Ossining, New York. Bronson is the sole managing member of E-Lionheart, an entity he used to facilitate his illegal stock sales.

8. **E-Lionheart**, formed in 2005 as a Delaware limited liability company, also does business as "Fairhills Capital." E-Lionheart is registered in the State of New York as a foreign limited liability company. Bronson is the sole managing member of E-Lionheart. At all times relevant to this Complaint, E-Lionheart has maintained its sole physical office in White Plains, New York.

Relief Defendant

9. **FCI** was formed in 2010 as a Delaware corporation, and maintains a registered business address in White Plains, New York at the same location as E-Lionheart. Bronson is the President and owner of FCI. FCI was unjustly enriched by Bronson's transfer to FCI of at least $600,000 of the proceeds from the illegal stock sales described herein.

Background

10. The Defendants in this case obtained and illegally resold the stock of approximately 100 companies, reaping profits of more than $10 million while depriving the investing public of the protections of the registration requirements of the securities laws. The

companies that issued these shares typically had limited assets, low share prices, and little or no analyst coverage. The stocks of these issuers traded only in the "over-the-counter" market and were quoted on OTC Link, an electronic quotation and trading system. At all relevant times, the stocks of these issuers were "penny stocks" as defined by Section 3(a)(51)(A) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78c(a)(51)(A)], meaning that, among other things, they traded below five dollars per share and were not listed on a national securities exchange.

11. Section 5 of the Securities Act prohibits any person, directly or indirectly, from offering or selling any security unless a registration statement is filed as to such offer, and is in effect as to such sale, or unless an exemption from registration is available. A registration statement is made publicly available and is required to include disclosures of financial and business information about the company and the particular securities that are being offered and sold.

12. Unless an exemption from registration is available, a registration statement is required for each new offer or sale of securities by any person. In this case, no registration statements were filed or in effect in connection with either the initial issuance of shares to Defendants or Defendants' sales of those shares to the public and no exemptions from registration were available to Defendants for their sales of those securities to the public.

13. Certain statutory provisions of the Securities Act and Commission regulations provide exemptions or safe harbors from the federal registration requirement. States have also enacted laws, known as "blue sky laws," that regulate the offer and sale of securities by imposing state-level registration requirements and exemptions from registration. Certain of the federal exemptions from registration are designed to achieve uniformity between state and federal

exemptions in order to facilitate capital formation that is consistent with the protection of investors. One such exemption, Rule 504(b)(1)(iii), adopted as part of Regulation D, 17 C.F.R. § 230.501 et seq. (1999) ("Rule 504(b)(1)(iii)"), provides an exemption for certain limited offers and sales of securities only if the offers and sales are made "[e]xclusively according to state law exemptions from registration that permit general solicitation and general advertising so long as sales are made only to 'accredited investors' as defined in [Rule] 501(a)." Accredited investors are investors who meet certain income or net worth requirements.

14. Defendants purported to rely upon Rule 504(b)(1)(iii) in connection with their sales of securities. However, the state law exemption Defendants selected and purportedly relied upon was inapplicable to Rule 504(b)(1)(iii). Accordingly, neither the issuers' initial offers and sales to Defendants nor Defendants' subsequent offers and sales to the investing public qualified as exempt from registration pursuant to Rule 504(b)(1)(iii).

Defendants' Illegal Stock Sales

15. Defendants' illegal operation typically followed the same pattern. Operating from E-Lionheart's office in White Plains, New York, Bronson, or E-Lionheart personnel acting at Bronson's direction, "cold called" OTC Link quoted companies to ask if they were interested in obtaining capital. If the company was interested, Bronson, or E-Lionheart personnel acting at his direction, would offer to buy stock in the company at a rate that was deeply discounted from the price the company's stock was then trading at.

16. If a company expressed interest, Bronson (or E-Lionheart personnel acting at his direction) prepared a subscription agreement and other documents to effect the transaction. In certain instances, Defendants prearranged with the company to purchase multiple "tranches" of the company's securities in the future once Defendants were able to sell earlier tranches into the

public market.

17. Typically, Defendants began immediately reselling the shares to the investing public through a broker within days of receiving the shares from the company. No registration statement was filed or in effect as to any of these sales at the time Bronson and E-Lionheart sold those shares to the public and no valid exemption was available. As a result, investors purchasing shares did not have access to all of the information that a registration statement would have provided and in many instances were deprived of even the basic information of the new issuance of millions of shares by the company and the dilution effect thereof. On average, the Defendants were able to generate proceeds from their illegal resales that were approximately double the price at which E-Lionheart had acquired the shares.

18. Bronson and E-Lionheart repeated this pattern with approximately 100 issuers, often purchasing and unlawfully reselling multiple "tranches" of securities from any given issuer.

The Purported Registration Exemption

19. Despite all of Defendants' activities taking place in New York, and irrespective of the location of the company's business, the subscription agreement represented that the company was making an offering of its stock that was exempt from registration because it was being made pursuant to Rule 504(b)(1)(iii) of Regulation D and a Delaware state law exemption from registration, Section 7309(b)(8) of the Delaware Securities Act [Redesignated as § 73-207(b)(8) of the Delaware Securities Act on November 14, 2011].

20. Before the securities were issued to E-Lionheart, an attorney referred and/or paid by Bronson, but purportedly acting on the company's behalf, provided an opinion letter to the company's transfer agent asserting that the securities could be issued without a restrictive legend.

Companies use transfer agents to keep track of the individuals and entities that own their stock. In the absence of a registration statement, transfer agents will issue stock certificates bearing a "restrictive legend" – indicating limitations on the transfer or sale of the security – unless the transfer agent receives assurances in the form of an attorney opinion letter that adequately explains why it is lawful to issue the certificates without a restrictive legend. However, the absence or removal of a restrictive legend on a stock certificate merely makes the transfer of the certificate possible, not lawful.

21. These attorney opinion letters claimed that Section 7309(b)(8) of the Delaware Securities Act [now §73-207(b)(8)] purportedly satisfied the requirements of Section 504(b)(1)(iii) of Regulation D, thereby supposedly permitting the issuance of "freely tradable" securities without a restrictive legend. The attorney providing the opinion letter typically was not licensed to practice law in Delaware.

22. Despite their attempt to invoke a Delaware state law exemption in the subscription agreements and attorney opinion letters, the securities offerings had either no nexus, or an insufficient nexus, to Delaware. Bronson and E-Lionheart, both residents of New York State, did not prepare, negotiate or execute any of the subscription agreements or other transactional documents in Delaware. The securities were sent to E-Lionheart's business address in White Plains, New York. Many of the companies that issued the securities had no business operations in Delaware. The attorney opinion letters were not typically prepared by attorneys licensed to practice law in Delaware. Nor were any of the transfer agents to whom the opinion letters were sent located in Delaware. As such, Defendants' purchase of securities could not have been made pursuant to, or in reliance upon, any Delaware state law exemptions from registration. Rule 504(b)(1)(iii)'s exemption was therefore unavailable.

23. The Delaware exemption on which Defendants claimed reliance is also not an exemption that meets the requirements of Rule 504(b)(1)(iii). Rule 504(b)(1)(iii) requires that the state law exemption from registration be an exemption that "permit[s] general solicitation and general advertising." Section 7309(b)(8) [now §73-207(b)(8)] of the Delaware Securities Act – the state law exemption referenced in the subscription agreements – pertains solely to offers or sales that are exclusively made to several specifically enumerated types of institutions (including certain accredited investors that are not natural persons). This state law exemption does not permit "general solicitation and general advertising," as required by Rule 504(b)(1)(iii), and the Delaware Securities Act prohibits solicitation without registration or an applicable exemption. Rule 504(b)(1)(iii)'s exemption was therefore unavailable to Defendants' transactions.

24. In addition, the Defendants' quick resales were in violation of an existing Delaware exemption that *is* compatible with the requirements of Rule 504(b)(1)(iii) – Section 503 of the Delaware Rules and Regulations [Rules and Regulations Pursuant to the Delaware Securities Act, §503]. Any resales of securities made in reliance on this exemption must satisfy a twelve month holding period, with which Defendants did not comply.

The Illegal Profits

25. Defendants' resales of the stock of ICBS, Ltd. (ticker "ICBT"), a small company, exemplify the mechanics of the illegal stock distribution operation and the resulting unlawful profits obtained by Bronson and E-Lionheart.

26. On February 3, 2010, E-Lionheart entered into a subscription agreement with ICBT in which E-Lionheart purchased 60,000,000 ICBT shares for $30,000. On February 8, 2010, Defendants deposited the ICBT shares in E-Lionheart's brokerage account.

27. On February 10, 2010, just two days later, Defendants sold 46,230,009 of these shares to the investing public through E-Lionheart's broker. The next day, Defendants sold the remaining 13,769,991 shares through E-Lionheart's broker. No registration statement was filed or in effect as to such offers and sales thus depriving the market of relevant information – and no valid exemption from registration was available for Defendants' sales. Bronson and E-Lionheart obtained gross sales proceeds of approximately $58,000 and illegal profits of $28,000.

28. Approximately three months later, on May 14, 2010, E-Lionheart entered into a subscription agreement with ICBT in which E-Lionheart purchased another 110,000,000 ICBT shares for $30,000. On May 18, 2010, Defendants deposited these shares in E-Lionheart's brokerage account. On May 21, 2010, just three days later, Defendants sold 50,000,000 of these shares to the public through E-Lionheart's broker. Four days after that, on May 25, 2010, Defendants sold the remaining 60,000,000 shares to the public through E-Lionheart's broker. No registration statement was filed or in effect as to these transactions – and no valid exemption was available for Defendants' sales. Bronson and E-Lionheart obtained gross sales proceeds of approximately $45,600 and illegal profits of $15,600.

29. Defendants engaged in at least 11 additional transactions with ICBT of similar type between September 2009 and May 2011 and resold the shares to the public without registration or a valid exemption. In total, Defendants' unregistered and illegal sales of ICBT stock to the public netted gross sales proceeds of approximately $960,000 and illegal profits of $325,000.

30. Since August 2009, Defendants have engaged in similar illegal resales of the stock of over one hundred other companies. In the aggregate, Defendants have entered into hundreds of transactions, involving the sale of billions of shares to the investing public, without a

registration statement being filed or in effect and with no valid exemption from registration available for Defendants' sales of securities. The following table summarizes the transactions by Defendants in the stock acquired from just ten of these issuers during the two-year period August 2009 to August 2011:

Issuer Name	Acquisition Period	Resale Period	# of Sham 504(b)(1)(iii) Transactions w/ Issuer	# of Shares Defendants Illegally Resold (Approx.)	Gross Proceeds from Resales (Approx.)	Net Profits (Approx.)
Sierra Gold Corp.	8/09 – 4/11	8/09 – 5/11	30	1.1 billion	$1,713,000	$836,000
Cannon Exploration Inc.	8/10 – 12/10	8/10 – 1/11	11	2.9 billion	$1,304,000	$745,000
LIGATT Security Int'l Inc.	1/10 – 2/11	1/10 – 4/11	23	2.6 billion	$994,000	$591,000
International Power Group Ltd	10/09 – 5/11	10/09 – 6/11	18	2.6 billion	$1,253,000	$579,000
Russell Industries Inc.	6/09 – 12/10	8/09 – 12/10	22	4.2 billion	$855,000	$503,000
GoIP Global Inc.	9/09 – 3/11	10/09 – 4/11	20	400 million	$1,117,000	$431,000
Hall of Fame Beverages Inc.	5/10 – 3/11	5/10 – 4/11	13	2.2 billion	$1,002,000	$404,000
Green Globe Int'l Inc.	6/10 – 2/11	6/10 – 6/11	19	1.6 billion	$661,000	$298,000
Lecere Corp.	6/10 – 4/11	6/10 – 5/11	7	3.2 billion	$598,000	$281,000
Imagexpres Corp.	9/09 – 5/10	10/09 – 8/10	7	2 billion	$476,000	$147,000
TOTAL			170	22.8 billion	$9,973,000	$4,815,000

31. Through this action, the Commission seeks disgorgement of all ill-gotten gains generated from all of the Defendants' unregistered sales of securities.

Relief Defendant FCI

32. Bronson is the President and owner of FCI. Bronson registered FCI to do business in New York on December 14, 2010. Less than one week later, on December 20, 2010, Bronson transferred $10,000 from the E-Lionheart brokerage account he used to custody the proceeds of his illegal transactions to a bank account maintained in the name of FCI.

33. In December 2010, Bronson also transferred title to a 2011 Mercedes Benz SUV from his name to FCI's name. FCI also holds title to a 2011 Land Rover, a 2007 Ferrari 599 and a 1982 Rolls Royce Silver Spur.

34. On February 10, 2011, Bronson transferred an additional $600,000 from E-Lionheart's custodial brokerage account to FCI's bank account. FCI, however, does not have any legitimate claim to the more than $600,000 in unlawful profits Bronson transferred to this entity's bank account.

35. None of the shares illegally sold by Bronson and E-Lionheart were transactions on FCI's behalf and none of the proceeds transferred to FCI were in return for any other consideration. The overwhelming majority of transactions in FCI's bank account, from the account's inception through at least June 30, 2011, were transfers to-and-from E-Lionheart's principal bank account. One of the few transfers out of FCI's bank account not directed at E-Lionheart's bank account concerned a $35,000 payment to an attorney acting on behalf of GoIP Global, Inc. in connection with its sale of $35,000 of its securities to E-Lionheart, not FCI. This payment to IP Global, Inc.'s attorney came just one day after Bronson seeded FCI's bank account with $600,000 in illegal profits from E-Lionheart's custodial brokerage account.

36. Bronson is using the FCI bank account to hold certain proceeds of his illegal trading activity and to facilitate that activity.

FIRST CLAIM FOR RELIEF
Violations of Sections 5(a) and 5(c) of the Securities Act
(Against Bronson and E-Lionheart)

37. Paragraphs 1 through 36 are re-alleged and incorporated by reference as if fully set forth herein.

38. Defendants, singly or in concert, directly or indirectly, made use of the means or

instruments of transportation or communication in interstate commerce or of the mails to offer and to sell securities when no registration statement had been filed or was in effect as to such offers and sales of such securities and no exemption from registration was available.

39. By reason of the activities described herein, Defendants, singly or in concert, directly or indirectly, have violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

SECOND CLAIM FOR RELIEF
(Unjust Enrichment Against Relief Defendant FCI)

40. Paragraphs 1 through 36 are re-alleged and incorporated by reference as if fully set forth herein.

41. In the manner described above, Relief Defendant FCI has obtained proceeds from Defendants' unlawful conduct under circumstances in which it is not just, equitable or conscionable for FCI to retain these ill-gotten gains. FCI gave no consideration for its receipt of these ill-gotten gains and has no legitimate claim to these funds. As a consequence, FCI has been unjustly enriched.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court issue a Final Judgment:

I.

Permanently enjoining and restraining Defendants, their agents, servants, employees, and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from, directly or indirectly, violating Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

II.

Ordering each of the Defendants and the Relief Defendant to disgorge, with prejudgment interest thereon, all ill-gotten gains received directly or indirectly as a result of the misconduct alleged in this Complaint, on a joint and several basis.

III.

Ordering Defendants to each pay civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)].

IV.

Imposing a permanent bar on Defendants from participating in any offering of penny stock pursuant to Securities Act Section 20(g) [15 U.S.C. § 77t(g)].

V.

Granting such other and further relief as this Court may deem just, equitable and appropriate.

Dated: New York, NY
August 22, 2012

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